

Message Text

CONFIDENTIAL

PAGE 01 STATE 182886

70

ORIGIN L-03

INFO OCT-01 EUR-25 ISO-00 EB-11 COME-00 TRSE-00 FCSC-01

SSO-00 NSCE-00 CIAE-00 INR-10 NSAE-00 RSC-01 INRE-00

JUSE-00 SS-15 NSC-10 /077 R

DRAFTED BY L/EB: FKWILLIS:LAS

9/13/73 EXT 23970

APPROVED BY L: GHALDRICH

EB/IFD/OMA: MR. WOLFE

EUR/EE: MR. HURWITZ (SUBS)

EUR/EE: MR. SEGALL (SUBS)

COMMERCE: MR. E. KERBER (SUBS)

TREASURY: MR. E. RENDALL (SUBS)

EB/IFD/OIA: MR. KENNEDY (SUBS)

----- 088364

O 132350Z SEP 73

FM SECSTATE WASHDC

TO AMEMBASSY PRAGUE IMMEDIATE

C O N F I D E N T I A L STATE 182886

E.O. 11652: GDS

TAGS: CZ, EFIN

SUBJECT: CLAIMS AGREEMENT

PASS TO KWIATEK

1. IN ACCORDANCE WITH WILLIS/KWIATEK TELCON PRIOR TO KWIATEK DEPARTURE, DEPT REQUESTS FOLLOWING CHANGES TO ARTICLES 8 AND 9 OF DRAFT AGREEMENT TO BE TABLED:

A. IN ARTICLE 8, DELETE WORD "CROWN" BEFORE "ACCOUNT" IN SUBPARA 1(I) AND SUBPARA 1(II). THE SUMS IN CROWNS IN THESE SUBPARAS ARE ACCURATE.

B. CHANGE PARA 2 OF ARTICLE 8 TO READ AS FOLLOWS:
"(2) THE SUMS MENTIONED IN PARA (1) SHALL BE AVAILABLE TO
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 182886

PAY ALL COSTS OF ANY KIND, OF THE GOVERNMENT OF THE UNITED

STATES, PAYABLE IN CROWNS, OR, AT THE OPTION OF THE GOVERNMENT OF THE UNITED STATES, SHALL BE CONVERTED INTO UNITED STATES DOLLARS FOR PAYMENT TO THE TREASURER OF THE UNITED STATES AT THE RATE MOST FAVORABLE TO THE UNITED STATES OF ANY RATE WHICH HAS BEEN ESTABLISHED BY THE CZECHOSLOVAK GOVERNMENT WHICH IS AVAILABLE FOR TRANSACTIONS INTO DOLLARS ON THE DATE OF ENTRY INTO FORCE OF THE AGREEMENT; PROVIDED, THAT IF SUCH RATE IS LESS FAVORABLE TO THE UNITED STATES THAN 7.2 CROWNS TO THE DOLLAR, THE RATE SHALL BE 7.2 CROWNS TO THE DOLLAR."

C. CHANGE ARTICLE 9 TO READ AS FOLLOWS:

"WITHIN 30 DAYS FROM THE ENTRY INTO FORCE OF THIS AGREEMENT, THE CZECHOSLOVAK GOVERNMENT SHALL PAY IN UNITED STATES DOLLARS IN ONE LUMP SUM AMOUNT THE SUMS DUE IN PRINCIPAL AND INTEREST SINCE 1952 AND THROUGH THE DATE OF ENTRY INTO FORCE OF THE AGREEMENT UNDER THE SURPLUS PROPERTY AGREEMENT BETWEEN CZECHOSLOVAKIA AND THE UNITED STATES OF 28 MAY 1946, AND SHALL RESUME REGULAR PAYMENTS OF PRINCIPAL AND INTEREST IN ACCORDANCE WITH THE TERMS OF THE SURPLUS PROPERTY AGREEMENT.

2. WITH RESPECT TO ARTICLE 9 YOU SHOULD ALSO TABLE DRAFT APPEARING BELOW WHICH WOULD BE INTENDED AS SIDE LETTER EXCHANGE ON IMPLEMENTATION OF ARTICLE 9. WE WOULD WANT NEGOTIATION AND CONCLUSION OF SIDE LETTERS TO COINCIDE WITH SAME RE BASIC AGREEMENT. U.S. LETTER WOULD CONTAIN CUSTOMARY COMPLIMENTARY OPENING AND CLOSING AND RELATE LETTER TO BASIC AGREEMENT. CZECH RESPONSE IN CUSTOMARY MANNER WOULD REPEAT TEXT OF U.S. LETTER AND INDICATE AGREEMENT TO ITS TERMS. BODY WOULD READ AS FOLLOWS:

WITH REFERENCE TO ARTICLE 9 OF THE AGREEMENT OF THE TOTAL OF PRINCIPAL PAYMENTS DUE SINCE 1952 AND THROUGH THE DATE OF ENTRY INTO FORCE OF THE AGREEMENT UNDER THE SURPLUS PROPERTY AGREEMENT OF 28 MAY 1946 IS \$4,285,483.84. INTEREST DUE FOR THE SAME PERIOD IS \$2,547,719.39 TO JULY 1, 1973 AND \$316.87 PER DAY FROM JULY 1 TO THE DATE OF PAYMENT. THE REMAINDER OF SUMS DUE IN ACCORDANCE WITH THE TERMS OF THE SURPLUS PROPERTY

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 182886

AGREEMENT ARE \$194,794.72 IN PRINCIPAL AND \$38.02 PER DAY IN INTEREST FROM THE DATE OF PAYMENT OF PRINCIPAL AND INTEREST MENTIONED IN THE PRECEDING SENTENCE TO JULY 1, 1974, DUE ON JULY 1, 1974; \$194,794.72 IN PRINCIPAL AND \$9,252.75 IN INTEREST, DUE ON JULY 1, 1975; AND \$194,794.72 IN PRINCIPAL AND \$4,626.37 IN INTEREST, DUE ON JULY 1, 1976.

3. ARTICLE 8 (BLOCKED ACCOUNTS) REDRAFT IS DESIGNED TO ACCOMPLISH THE FOLLOWING: WE DESIRE IN THE FIRST INSTANCE, FREEDOM TO SPEND THE LOCAL CURRENCY CONTENTS OF THE BLOCKED ACCOUNTS FOR ALL OFFICIAL EXPENDITURES OF THE USG IN CZECHOSLOVAKIA. WE DO NOT BELIEVE THAT THE CZECH MINISTRY OF FOREIGN AFFAIRS SHOULD BE GIVEN ANY RIGHT TO VETO USG EXPENDITURE OF THIS MONEY AS WE SEE FIT. SECOND, WE BELIEVE THAT THE U.S. SHOULD BE FREE TO REPATRIATE DOLLARS IN ORDER TO ACHIEVE AN EQUIVALENT CONCESSION TO OUR PROPOSED ACTION UNBLOCKING CZECH ACCOUNTS HERE, WHICH WILL LEAD TO REPATRIATION IMMEDIATELY BY CZECHOSLOVAKIA. THIRD, WITHOUT PROTECTION ON THE MATTER OF THE EXCHANGE RATE, CZECHSLOVAKIA COULD GAIN A FINANCIAL ADVANTAGE BECAUSE OF MULTIPLE, ARTIFICIAL EXCHANGE RATES CURRENTLY IN USE. FOR INSTANCE, PRESENT RATES ARE 13.3 CROWNS/DOLLAR -- TOURIST RATE, 11.5/1 -- NON-COMMERCIAL RATE, 5.8/1 -- COMMERCIAL RATE. ALSO, THE USG RECENTLY PURCHASED AT THE RATE OF 11.36/1 FOR EMBASSY EXPENSES. THE 7.2/1 RATE IS THE RATE EQUIVALENT TO THAT AT WHICH THE ACCOUNT WAS ESTABLISHED AND WHICH WAS AGREED BY CZECHOSLOVAKIA DURING 1961 ROUND OF NEGOTIATIONS. THIS RATE REFLECTS THE CURRENCY REFORM WHICH TOOK PLACE OVER A DECADE AGO. THE PROPOSED DRAFT IS DESIGNED TO GIVE US THE 5.8/1 EXCHANGE RATE AND, IF AN OFFICIAL RATE CHANGE LESSENS THE RELATIVE VALUE OF THE CROWN PRIOR TO THE ENTRY INTO FORCE OF THE AGREEMENT, TO PROVIDE A FLOOR RATE NO LESS THAN 7.2 CROWNS/\$1.

4. PURPOSE OF REDRAFT OF ARTICLE 9 AND SIDE LETTERS ARE FOR SIMPLE MATTER OF CLARIFICATION OF TEXT, TO INDICATE LUMP SUM PAYMENT TO BE IN U.S. DOLLARS, TO INDICATE COMPLETE TERMS 1946 AGREEMENT REMAIN APPLICABLE TO PAYMENTS DUE IN 1974, 1975, AND 1976, AND TO PIN DOWN
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 182886

ACTUAL FIGURES. RESORT TO SIDE LETTERS IS DESIGNED TO MAKE ARTICLE 9 MORE PALATABLE TO CZECHS, WHOM, WE ASSUME, MIGHT RESIST SPELLING OUT AMOUNTS THEY ARE IN DEFAULT AND QUANTITY OF INTEREST PAYMENTS IN BASIC AGREEMENT. RUSH

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 13 SEP 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE182886
Document Source: CORE
Document Unique ID: 00
Drafter: FKWILLIS:LAS
Enclosure: n/a
Executive Order: GS ALDRICH
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730936/aaaababo.tel
Line Count: 158
Locator: TEXT ON-LINE
Office: ORIGIN L
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 07 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Sep-2001 by rowellE0>; APPROVED <17-Sep-2001 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CLAIMS AGREEMENT PASS TO KWIATEK
TAGS: EFIN, CZ
To: PRAGUE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005